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C O N F I D E N T I A L SECTION 01 OF 02 HO CHI MINH CITY 000619

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TAGS: [PREL](#) [PGOV](#) [CH](#) [VM](#)
SUBJECT: TALK OF MONEY POLITICS AND DISTRUST OF CHINA TOP
AMBASSADOR'S LUNCH IN HCMC

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CLASSIFIED BY: Kenneth J. Fairfax, Consul General, U.S.
Consulate General Ho Chi Minh City, Department of State.
REASON: 1.4 (b), (d)

1. (C) SUMMARY: The driving force behind CPV politics is the personal greed of its members, according to a prominent HCMC businessman with both a long track record of success and good political connections. He explained that while the CPV includes large numbers of both conservative ideologues and committed reformers, the balance of power between those two groups lies in the hands of party members whose sole motivation is enriching themselves and their families and whose interests are not furthered by continued improvements transparency or the fight against corruption. He also claimed that the pernicious role of money in CPV decision making is being exploited by China to further their interests in Vietnam despite widespread dissatisfaction with GVN/CPV policy toward China. While this particular interlocutor is more bluntly spoken than many, his overall skepticism concerning the current direction of the CPV reflect a wide-spread current among the educated, successful class of entrepreneurs whose past success and future prospects are based on the development of Vietnam's private, market-based economy. END SUMMARY.

2. (C) During an October 25 lunch with the Ambassador and CG, Nguyen Tran Khanh, the CEO of InvestConsult, shared his views on current trends and future developments in the Vietnamese political scene as well as China-Vietnam relations. InvestConsult is one of Vietnam's oldest business consulting groups, having been formed in the early days of Doi Moi when Vietnam was first opening up to foreign trade and investment. Many of its principals, including Khanh, were particularly active when the late PM Vo Van Kiet was leading HCMC as well as later when he was PM.

CPV DRIVEN BY PRIVATE ECONOMIC INTERESTS

3. (C) Khanh began describing the basic political landscape within the CPV as consisting of relatively modest groups that are always conservative or always progressive and a much larger group in the center that can shift from time to time and from issue to issue. Unfortunately, he added, for many of the members of this large central group their decisions are not based upon reasoned analyses of national priorities but are instead based on their personal economic interests. In fact, he said, personal economic interests have become the most significant factor in determining CPV policy. This money-based decision making has led to the CPV becoming increasingly organized along factions defined by shared economic interests.

4. (C) Khanh described the emergence of economic-based factions as a totally new phenomenon that began after the end of 2005 and

has since become the defining political trend in modern Vietnam. Party membership is now about money. While there are still some idealists on both sides of the political spectrum, most people decide to join the party as a way of advancing the economic fortunes of themselves and their families. Asked specifically about To Huy Rua, the newest member of the Politburo, Khanh described him as a pure ideologue who remains outside the economic power groupings. Rua, he added, is the exception rather than the rule and has nonetheless been supported by economic interests. He added that one very unfortunate corollary of the rise of the economic groupings has been the general trend away from transparency, reform and good governance that characterized earlier years. The reason for this reversal is not that ideological conservatives have risen to power but that the economic groupings often view transparency, free speech and other reforms as antithetical to their interests. Khanh went so far as to declare that among the senior leadership of the CPV there are numerous members who understand that the party will inevitably lose power if it stays on its current path. Rather than advocating reformist policies to build popular support for the CPV, however, they are focusing their energies on holding back change temporarily so that they can amass fortunes for themselves and their families before the inevitable anti-CPV movement gains the upper hand.

15. (C) Because of the emergence of political factions based on economic interest, the traditional division of power between the north, central and south has lost much of its significance, Khanh said. He explained that the origin of the traditional division of power at the top of the CPV was not so much geography as the history of the CPV and the three, largely regionally-based parties that were folded into it. From 1975 through 2005, the north-central-south division reflected the fact that factions within the CPV continued to be organized along old party lines and to reflect shared war-time experiences. Since 2006, however, the power sharing is based on

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sharing among economic interests. As one example of how this has changed CPV dynamics, Khanh stated that traditional rivals such as PM Dung and DPM Hung have now joined forces in specific areas to form united economic groups, as they have done in controlling the development of Phu Quoc island.

16. (C) Asked about often-heard statements that PM Dung keeps personal control over the largest SOEs and how he could manage such a feat, Khanh explained that many decisions in Vietnam must go to the Prime Minister for his personal approval. These include decisions on the allocation of land, resources and -- most importantly of all -- cheap state-backed credit. Using his ability to approve or deny such requests, PM Dung is able to exercise effective control over the big SOEs, which often compete with each other not in the marketplace but in the race to provide economic benefits to the family members and key supporters of CPV members and factions.

17. (C) Khanh concluded that under PM Dung, the SOEs have become central to the political process and are the CPV's primary mechanism for amassing wealth for its members. They have also become even less efficient since the SOEs measure "success" by their ability to funnel state resources to directors and supporters rather than by their business performance.

CHINA EXPLOITING CPV GREED

18. (C) Khanh said that now that the CPV has become driven by economic interests, China's influence is growing due to willingness of the Chinese leadership to expend resources to court CPV members. While China is very unpopular among the public at large and is even quite unpopular among many parts of the GVN that associates Chinese business interests with corruption and shoddy work, China's political star is rising within the CPV because that is where the Chinese communist party knows its must concentrate its efforts in order to have real influence in Vietnam. Khanh invited the Ambassador to study China's connections in Vietnam, stating that he would find that

they are predominantly with the CPV rather than the GVN.

¶9. (C) Khanh added that while public attention has been fixated on a few issues such as bauxite mining in the Central Highlands or the Spratley and Paracel Islands, China's influence in Vietnam is growing much more broadly with thousands of Chinese construction workers, factory workers and others in virtually every province in Vietnam. According to Khanh, many of these workers arrive on Service (Official) passports and, under Chinese-Vietnamese consular protocol, are not subject to visa rules. Khanh also alleged that many of these workers are not simple workers at all but are actually members of the Chinese military.

COMMENT

¶10. (C) While Khanh is particularly blunt in expressing his views, his overall perspective (and pessimism) about current trends in Vietnamese politics reflect a much larger trend among the "private sector elite," a loosely defined group of wealthy business leaders who may have significant political connections but nonetheless view themselves as "self-made" rather than beneficiaries of party patronage. While Khanh himself enjoyed close ties with former PM Vo Van Kiet, for example, his business is private and continues to prosper despite his lack of ties to current top leadership. Other members of this class of private business leaders may have strong ties to certain politicians or are even related to them, but what sets them apart is that their businesses are fundamentally private and have succeeded in the market place. As a whole, this group is extremely -- and increasingly -- critical of the giant State Owned Enterprises (SOEs) and (when speaking in private) directly critical of the role played by PM Dung and others in facilitating what private business leaders view as the increasingly large and destructive role the SOEs are playing in the economy. Kahn's suspicions concerning China are also indicative of a strong current trend, particularly in the south. While we know of no evidence that thousands of "under cover" Chinese military establishing a base in Vietnam, rumors of such developments are commonplace. Controversies over bauxite mining in the central highlands or a posting on an official CPV web site that appeared to support China's claims to all of the "East" (South China) Sea have helped fuel skepticism towards both China and Vietnam's political leadership. Khan's comments also suggest that some of the clampdown on political dissent (which is often, coincidentally, critical of both China and GVN corruption) may be a tactical attempt to deflect criticism from senior CPV cadre
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